

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
MAY 19, 1998
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on May 19, 1998 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt, Terry A. Scrogum and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph Haughey, Allan McDonald, and Thomas Swoik, Chief Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Investigatory Matters**
- 4. Personnel Matters**
- 5. Closed Session Minutes**

Member Scrogum seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 12:00 p.m.

Board Minutes

Member Pyatt moved **that the Board approve the minutes from the open and closed sessions of the April 22, 1998 regular meeting and the open and closed sessions of the May 12, 1998 special meeting.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

The Chairman noted one change to the agenda. Under the Supplier Licensee section of the agenda the Circus Circus item should be moved to items for final action under the Owner Licensee section. The Chairman reported that the Governor has reappointed members Vickrey and Johnson to the Board to three year terms expiring July 1, 2001. The Governor also designated Mr. Johnson as Chairman of the Board.

The Chairman reported that the National Gambling Impact Study Commission ("NGISC") will hold its two day meeting in Chicago May 20 and May 21. Administrator Belletire will be one of the panelists making a presentation on the regulation and regional competition of riverboat casinos.

Administrator's Report

The Administrator reported that Susan Weber and Marianne Floriano were instrumental in assisting the NGISC in its arrangements and preparation for its two day meeting.

Administrator Belletire summarized the following monthly reports: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and Internal Control System changes.

The Administrator also reported that:

- Minimum Internal Control System changes have been issued to owner licensees, requiring licensees to make ICS changes related to credit, check cashing and problem gambling matters.
- Donna More, who represents several Illinois licensees, has been appointed to the Board of Directors of Circus Circus Enterprises.
- Adrienne Levatino, Executive Director of the Illinois Casino Gaming Association ("ICGA"), has resigned from this position. The Administrator wished her well in her future endeavors.
- Players International has addressed staff concerns regarding how the licensee handles capital investments. Players International will no longer be drawing distributions while simultaneously "lending" funds for capital improvements to SIRCC.

Joe Haughey gave a report updating last month's discussion of vessel safety.

Member Scrogum asked if the Coast Guard will be making a formal recommendation regarding moored riverboat casinos. Mr. Haughey stated that he would request a written report from the Coast Guard.

Member Vickrey asked Mr. Haughey how long it takes a barge or a tow of multiple barges to stop. Mr. Haughey stated that it takes approximately 1 mile in distance to stop.

Chairman Johnson thanked Ms. Levatino for her efforts with the ICGA.

Owner Licensee Items

EMPRESS RIVER CASINO (“Empress”) - John Costello, representing Empress, requested initial consideration of the second tier of its proposed capital restructuring -- a Bank Credit Facility. Mr. Costello stated that with \$150 million in Subordinated Notes, the \$100 million Bank Facility would cover the approximately \$25 million additional up front borrowing requirements, while providing both pre-payment flexibility and additional borrowing capacity. The Bank Facility interest costs will be based upon a pricing matrix tied to the London International Bank Offering Rate (“LIBOR”) and a prime rate figure. The two-tiered capital structure approach will allow Empress to achieve its goal of matching its capital structure with its new holding company (LMC Leasing, Ltd.) structure.

Chairman Johnson asked if Mr. Costello has informed the staff of the expected utilization of the \$75 million. Mr. Costello stated that the \$75 million is additional borrowing capacity with no current plans for its use. Chairman Johnson asked if Empress will use the money to pay off its existing debt. Mr. Costello stated that the new notes, in conjunction with the credit facility and cash on hand will be used to retire all existing indebtedness, including the \$150 million of 10 3/4 notes along with \$52 million in outstanding debt at Hammond.

CASINO ROCK ISLAND (“CRI”) - Ron Wicks, representing CRI, introduced John Phillips, City Manager of Rock Island, to address the Board’s concerns over parking at the CRI.

Mr. Phillips stated that the City of Rock Island works very closely with the CRI. CRI helps the City with marketing and underwriting costs of special events held in downtown Rock Island known as the “District”. The City feels that the largest problem that CRI faces is not parking but inconvenient boarding restrictions for customers. Mr. Phillips stated that the City believes there is sufficient parking for CRI’s customers. He further stated that if the CRI were to be able to compete under similar rules as Iowa gaming operators the City would work with CRI to develop more parking.

Dan Carmody, Executive Director of Renaissance Rock Island, gave an overview of past efforts to assist CRI during the “shakeout” of the Quad-cities gaming industry. He observed that following setbacks in 1996, the District has resumed growing. Mr. Carmody reported that Renaissance Rock Island is looking at six different projects in the food and beverage and hotel sectors. Investors are showing confidence in the District.

Mr. Carmody addressed the parking issue. He referenced a map of the area, identifying the location of current and potential future parking sites.

Member Vickrey asked what the immediate plans are to alleviate parking problems or to increase the number of parking spaces close to the casino. Mr. Wicks stated that CRI has adequate parking for its current customer count. He stated that there are 330 parking spaces directly across the street from the casino, and there are 60 spaces around the Armory Building, just East of the Casino, that CRI uses for valet parking.

Member Vickrey asked what the average attendance is on a cruise. Mr. Wicks stated that CRI is averaging 200 - 250 patrons per cruise. On weekends CRI averages 550 - 600 patrons per cruise.

Member Vickrey asked if CRI has looked at the number of patrons per automobile. Mr. Wicks stated that the range is from 1.9 - 2.3 patrons per car.

Member Vickrey asked what is going on across the river in Iowa. Mr. Wicks stated that the Lady Luck in Bettendorf has a hotel and parking facility under construction. The hotel site is six miles West of the CRI. The President casino is 500 yards directly across the river from the CRI.

In response to Chairman Johnson, Mr. Wicks stated that CRI believes that any investment today, without a change in legislation, could not produce any better financial results than CRI is able to achieve in the market place right now. It is CRI's belief that no one could produce better results in the market place given the conditions and competitive environment between Illinois and Iowa. Mr. Wicks stated that CRI is willing to meet the competitive challenge but stressed they need to have a level playing field.

Mr. Johnson asked if the problem in the Quad-cities is dockside gaming alone or is it dockside gaming and over capacity. Mr. Wicks stated that it is both. The Iowa competitors have seen that CRI cannot compete, and they have capitalized on it. Mr. Wicks stated that even if legislation passed it would still take them a long time to recapture their fair share of the market place.

Chairman Johnson asked what the gaming admissions would be if there was an equalization of the law. Mr. Wicks stated that CRI has calculated that it would have 1.2 - 1.4 million patrons per year. Currently the level is at 600,000 patrons per year.

Chairman Johnson asked how many gaming positions CRI currently has. Mr. Wicks stated that CRI currently has 480 gaming positions. If there is a legislative change CRI

expects to use the 1200 gaming positions allowed by the Act. Administrator Belletire corrected Mr. Wicks and stated that CRI has 417 gaming positions in use at this time.

Member Vickrey asked the City of Rock Island representatives if the CRI is doing everything reasonable to make its operation viable given the competitive environment. Mr. Phillips stated that he believes they are. Member Vickrey asked what is the future for CRI if the law never changes. Mr. Phillips stated that is a business decision of the CRI. The City has done everything it can to help the licensee stay in operation and the entire community is behind them. Member Vickrey asked Mr. Wicks how long CRI can stay in business without a law change. Mr. Wicks stated that they have seen a stabilization in revenues, and CRI is prepared to stick it out until there is a legislative change.

Member Vickrey stated that he would like to see the CRI do everything possible to make it more convenient for people to come to the CRI. He further encouraged the City to work with the CRI and bring some additional parking closer to the riverboat, possibly around the Armory Building.

Member Vickrey asked what is the longest customers have to wait to get on the riverboat. Mr. Wicks replied 1 1/2 hours. Member Vickrey further asked if marketing is doing anything to hold the customers at the pavilion. Mr. Wicks stated that patrons are offered free meals and non-alcoholic beverages. CRI also promotes the District to its patrons to keep them in the area.

Mr. Wicks requested renewal of CRI's owner's license.

Member Vickrey moved **that the Board renew the owner's license of Rock Island Boatworks, Inc. ("RIBI") for a period of one year commencing May, 1998. In renewing the license the Board orders the following:**

- 1. RIBI shall make no cash or non-cash distributions to its shareholders without prior Board approval.**
- 2. RIBI shall make no loans nor shall it invest in other entities without the prior approval of the Administrator.**
- 3. RIBI is to provide by June 30, 1998 revised financial projections for the years 1998, 1999 and 2000. The revised projections shall be based upon recent operating trends and more supportable assumptions. These projections shall also reflect the capital investments to be implemented as a result of the capital plan proposed by the licensee in November 1997, or a modified version of such plan. The capital plan shall be modified so as to not be contingent upon statutory changes in the Riverboat Gambling Act.**

- 4. RIBI shall work with staff and provide written evidence of sufficient working cash available to meet ongoing operating needs as well as adequate cash on hand for daily casino operations.**

Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

HOLLYWOOD CASINO AURORA, INC. (“HCA”) and SOUTHERN ILLINOIS RIVERBOAT CASINO CRUISES, INC. (“SIRCC”) - Pat Medchill, representing HCA, and Patrick Madamba, representing SIRCC, requested approval of their preventive maintenance requests.

Member Scrogum moved **that the Board approve Hollywood Casino Aurora’s (“HCA”) request for a waiver of Board rule 3000.510 to allow HCA to conduct gaming and remain dockside while HCA is conducting an underwater hull inspection on the City of Lights I and the City of Lights II consecutively.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Member Scrogum moved **that the Board approve SIRCC’s request for a waiver of Board Rule 3000.510 to allow SIRCC to conduct gaming while remaining dockside while preventive maintenance is being performed on the Player’s II port main engine.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

CIRCUS CIRCUS - Donna More, representing Circus Circus, requested approval of Yvette Landau as a Key Person.

Member Pyatt moved **that the Board approve Yvette E. Landau as a Key Person of Elgin Riverboat Resorts, Inc.** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier Licenses

SIGMA GAME, INC.

Member Pyatt moved **that the Board approve James P. Jackson as a Key Person of Sigma Game, Inc.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Browder moved **that the Board approve 94 applications for an Occupational License, Level 2, and 237 applications for an Occupational License, Level 3, and**

deny 1 application for an Occupational License, Level 3. Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearings/ALJ Reports

Having reviewed the staff's report Member Scrogum moved **that the Board reconsider the initial denials of Russell Hauser and Eva Salinas and issue both individuals an occupational license.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Complaints & Disciplinary Actions

Member Pyatt moved **that the Board issue a disciplinary complaint against Eric Connell and revoke his license.** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

Board Policy Items

PUBLIC COMMENTARY - Anita Bedell, Executive Director of Illinois Church Action on Alcohol Problems, thanked the Board for its Patron Survey report. Ms. Bedell expressed concern for owner licensee marketing programs targeting senior citizens and women. She cited several examples of promotions used by owner licensees and stated she feels the promotions target senior citizens, women with children and compulsive gamblers. She expressed concern over Empress' essay contest held at schools. She feels it advertises one more addictive behavior to children.

Ms. Bedell asked the Board several questions. She wanted to know if the Board reviews the licensee's promotions; if the Board could compile a list of Slot Club Members; and, if the Board could provide monthly figures of callers to the Compulsive Gambling Hot Line for 1996 - 1998 by area code.

Chairman Johnson asked Ms. Bedell to provide copies of promotional items she referred to in her presentation. Member Pyatt asked Ms. Bedell to provide the Board with a written request for information.

WAGERING TAX RULE - Administrator Belletire reported that JCAR issued no objection to the Board's proposed rule 3000.1071 implementing the graduated wagering tax law passed by the General Assembly and signed by the Governor in December 1997.

Member Browder moved **that the Board approve the final publishing and adoption of Board rule 3000.1071.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

BLACKJACK WIN CARDS - Cory Aronovitz, representing Gaming International, Inc., requested approval of Blackjack Win Cards. Mr. Aronovitz described the Win Card and

the intended use of the card. He stated that an owner licensee would purchase the card directly from Gaming International and distribute the card to its patrons through a marketing program.

Chairman Johnson asked if the distribution of Win Cards could be construed as the licensee instructing a patron on how to place a bet. Mr. Aronovitz replied no.

Chairman Johnson asked if Gaming International would be a supplier. Mr. Aronovitz stated that the product is not gaming related and that it would be used only as a marketing device. Administrator Belletire stated that the Board has never limited its authority to construe what constitutes a gaming device.

Mr. Aronovitz passed out a photo copy of a sheet of paper outlining basic strategies for Blackjack. He stated that a patron could bring a photocopy of strategies into a casino because it, like the Win Card, is not a gaming device. He stated that the Win Card requires Board approval because it has two working parts and therefore could be construed as a device.

Chairman Johnson asked for identification of the jurisdictions in which the Win Card is currently distributed. Mr. Aronovitz stated Nevada, New Jersey, Mississippi, Louisiana, Iowa, Indiana, and all the Native American gaming jurisdictions. He noted that Win Cards are prohibited in Missouri because the Commission promulgated a regulation that stated no device is authorized for use in the State.

Chairman Johnson asked what if the Win Card was on a hand held mechanical electronic document. Mr. Aronovitz stated that he feels the legislature intended to bar such devices.

Mr. Aronovitz stated that Gaming Laboratories, Inc. conducted an analysis of the Win Card for Missouri and found it is a device only because it has two working parts. It is a novice strategy that does not have the ability to affect the outcome of the game.

Chairman Johnson declared that the issue of Win Cards will be considered as an item for Initial Consideration. He asked Mr. Aronovitz to supply the Board and staff with further information addressing why he believes the Win Card is not a gaming device and any set precedent.

There being no further business to come before the Board, Member Scrogum moved **that the Board stand adjourned**. Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 1:40 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board